



Central Bank of Jordan

Recent Monetary & Economic Developments in Jordan

**Research Dept / Monthly Report
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Central Bank of Jordan

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OUR VISION

To continue maintaining monetary and financial stability and thereby contributing to the achievement of economic and social growth in the kingdom.

OUR MISSION

Maintaining monetary stability represented in maintaining the stability of the Jordanian Dinar exchange rate and the general prices level. And contributing to providing an investment environment that is both attractive and motivating for the economic and social development through providing a convenient interest rate structure and implementing macro and micro prudential supervision policies that maintain financial and banking stability. In addition to providing safe and efficient national payments systems, promoting financial inclusion, and protecting the financial customer. To this end, the Central Bank of Jordan employs optimally its human, material, financial, technical and knowledge resources.

OUR VALUES

- | | | |
|----------------------------|---|---|
| Loyalty | : | Commitment, responsibility, and dedication to the institution, its staff and clients. |
| Integrity | : | Dealing with the highest standards of professionalism and credibility to ensure equality and equal opportunities to all partners, clients, and workers. |
| Excellence | : | To make a difference in the quality of services provided in accordance with international standards and practices. |
| Continuous Learning | : | Aspiring to continuously improve professional and academic levels in accordance with international best practices. |
| Involvement | : | Working together, on all levels, in a team spirit to achieve our national and organizational goals with high efficiency. |
| Transparency | : | Disclosing information and knowledge, and simplifying and clarifying procedures and regulations in accordance with professional standards and pertinent rules |

Contents

| | | |
|---------------|--|-----------|
| | Executive Summary | 1 |
| First | Monetary & Financial Sector | 3 |
| Second | Output, Prices and Employment | 15 |
| Third | Public Finance | 23 |
| Fourth | External Sector | 39 |

Executive Summary

□ Output, Prices and Employment

During the first three quarters of 2017, real GDP at market prices, grew by 2.0 percent. Thus, maintaining the same growth rate during the same period of 2016. The general price level, measured by the percentage change in the Consumer Price Index (CPI) increased during January 2018 by 3.0 percent, compared to a rise of 2.5 percent in the same month of 2017. Furthermore, the unemployment rate during the fourth quarter of 2017 amounted to 18.5 percent.

□ Monetary and Financial Sector

- The CBJ's gross foreign reserves (including gold and SDRs) amounted to US\$ 14,178.0 million at the end of January 2018. This level of reserves covers around 7.9 months of the kingdom's imports of goods and services.
- Domestic liquidity amounted to JD 33,289.0 million at the end of January 2018, compared to JD 32,957.6 million at the end of 2017.
- The outstanding balance of credit facilities extended by licensed banks amounted to JD 24,952.3 million at the end of January 2018, compared to JD 24,743.1 million at the end of 2017.
- Total deposits at licensed banks amounted to JD 33,444.3 million at the end of January 2018, compared to JD 33,197.7 million at the end of 2017.
- The Share Price Index (SPI) weighted by the market capitalization of free float shares at Amman Stock Exchange (ASE) reached 2,193.3 points at the end of January 2018, compared to JD 2,126.8 points at the end of 2017.

- **Public Finance:** The general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 747.9 million (2.6 percent of GDP) in 2017 compared to a fiscal deficit in the amount of JD 878.6 million (3.2 percent of GDP) in 2016. Gross outstanding domestic public debt (budgetary and own-budget) decreased by JD 391.6 million at the end of 2017 compared to its level at the end of 2016, standing at JD 15,402.1 million (53.8 percent of GDP). Outstanding external public debt (budget and guaranteed) increased by JD 1,568.2 million at the end of 2017 compared to its level at the end of 2016 to reach JD 11,867.2 million (41.5 percent of GDP). Accordingly, gross public debt (domestic and external) stood at 95.3 percent of GDP at the end of 2017 compared to 95.1 percent of GDP at the end of 2016.
- **External Sector:** Total merchandize exports (domestic exports *plus* re-exports) decreased by 1.1 percent during 2017 to reach JD 5,303.1 million. Meanwhile, merchandize imports increased by 5.6 percent to reach JD 14,488.6 million. As a result, the trade balance deficit increased by 9.9 percent compared with 2016, to reach JD 9,185.5 million. The preliminary data in January 2018 shows an increase in travel receipts by 9.5 percent and a decrease in travel payments by 11.0 percent compared to the same month of 2017. Moreover, total workers' remittances receipts increased by 4.0 percent in January 2018 compared to the same month of 2017. The preliminary data for the balance of payments during the first three quarters of 2017 displayed a deficit in the current account accounted to JD 2,415.6 million (11.6 percent of GDP) compared to JD 1,967.4 million (9.8 percent of GDP) during the first three quarters of 2016. Meanwhile, the current account deficit excluding grants increased to reach 12.7 percent of GDP compared with 11.6 percent of GDP during the same period of 2016. Moreover, net direct investment recorded a net inflow of JD 1,017.3 million during the first three quarters of 2017 compared to a net inflow of JD 854.2 million during the same period in 2016. Furthermore, the international investment position (IIP) registered a net obligation to abroad in the amount of JD 29,110.0 million at end of the third quarter 2017 up from JD 26,843.2 million at the end of 2016.

First: Monetary and Financial Sector

□ Summary

- The CBJ's gross foreign reserves (including gold and SDRs) amounted to US\$ 14,178.0 million at the end of January 2018. This level of reserves covers around 7.9 months of the kingdom's imports of goods and services.
- Domestic liquidity amounted to JD 33,289.0 million at the end of January 2018, compared to JD 32,957.6 million at the end of 2017.
- The outstanding balance of credit facilities extended by licensed banks amounted to JD 24,952.3 million at the end of January 2018, compared to JD 24,743.1 million at the end of 2017.
- Total deposits at licensed banks amounted to JD 33,444.3 million at the end of January 2018, compared to JD 33,197.7 million at the end of 2017.
- The interest rates on all types of deposits at licensed banks had shown a mixed performance at the end of January 2018, increased on the time deposits, decreased on the demand deposits, while the interest rate on the saving deposits remained at the same level as the end of 2017. In contrast, the interest rates on all types of credit facilities by the licensed banks, except overdraft, increased at the end of January 2018, compared to their levels at the end of 2017.

- The Share Price Index (SPI) weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) reached 2,193.3 points at the end of January 2018, compared to 2,126.8 points at the end of 2017. Moreover, the market capitalization reached JD 17,354.5 million at the end of January 2018, compared to JD 16,962.6 million at the end of 2017.

Main Monetary Indicators

JD Million, and Percentage Change Relative to the Previous Year

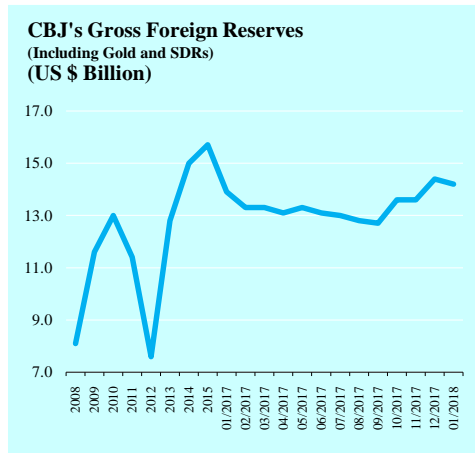
| | | End of January | |
|--------------|--|----------------|---------------|
| 2017 | | 2017 | 2018 |
| US\$14,391.8 | CBJ's Foreign Reserves* | US\$ 13,936.1 | US\$ 14,178.0 |
| -0.7% | | -3.9% | -1.5% |
| 32,957.6 | Money Supply (M2) | 32,605.0 | 33,289.0 |
| 0.2% | | -0.8% | 1.0% |
| 24,743.1 | Credit Facilities, of which: | 23,044.6 | 24,952.3 |
| 8.0% | | 0.6% | 0.8% |
| 21,753.4 | Private Sector (Resident) | 20,032.0 | 21,905.0 |
| 9.3% | | 0.7% | 0.7% |
| 33,197.7 | Total Deposits, of which: | 33,016.1 | 33,444.3 |
| 0.9% | | 0.4% | 0.7% |
| 25,642.2 | In JD | 25,623.3 | 25,784.5 |
| -1.3% | | -1.3% | 0.6% |
| 7,555.5 | In Foreign Currencies | 7,392.8 | 7,659.8 |
| 9.0% | | 6.7% | 1.4% |
| 26,916.3 | Deposits of Private Sector (Resident), of which: | 26,756.7 | 27,049.2 |
| -0.1% | | -0.7% | 0.5% |
| 21,258.2 | In JD | 21,272.3 | 21,326.6 |
| -1.5% | | -1.4% | 0.3% |
| 5,658.1 | In Foreign Currencies | 5,484.4 | 5,722.6 |
| 5.2% | | 1.9% | 1.1% |

* Including gold reserves and special drawing rights.

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

□ CBJ's Foreign Reserves

The CBJ's gross foreign reserves (including gold and SDRs) amounted to US\$ 14,178.0 million at the end of January 2018. This level of reserves covers around 7.9 months of the kingdom's imports of goods and services.



□ Domestic Liquidity (M2)

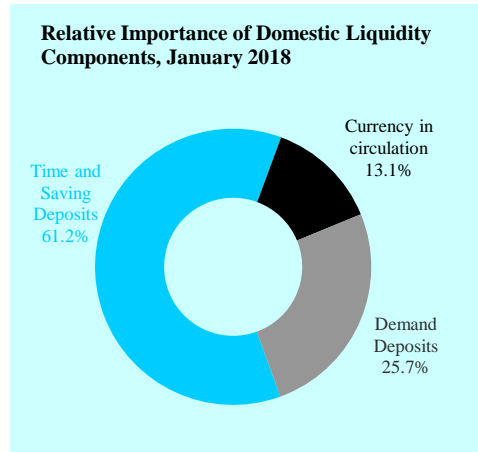
■ Domestic liquidity amounted to JD 33.3 billion at the end of January 2018, compared to JD 33.0 billion at the end of 2017.

◆ **Developments in the components and the factors affecting domestic liquidity at the end of January 2018, compared to their levels at the end of 2017, reveal the following:**

- **Components of Domestic Liquidity**

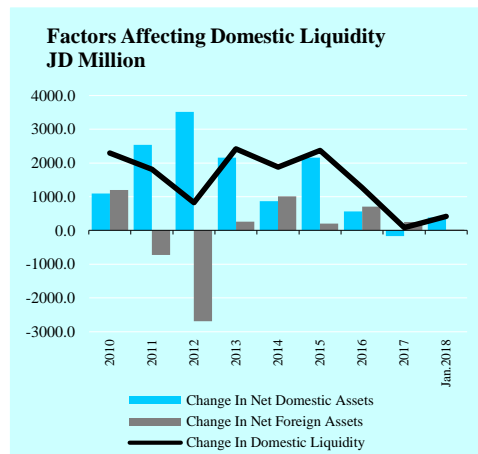
- Total liquidity deposits amounted to JD 28.9 billion at the end of January 2018, compared to JD 28.6 billion at the end of 2017.

- Currency in circulation amounted to JD 4.4 billion at the end of January 2018, compared to JD 4.3 billion at the end of 2017.



• Factors Affecting Domestic Liquidity

- Net domestic assets of the banking system amounted to JD 24.4 billion at the end of January 2018, compared to JD 23.8 billion at the end of 2017.



- Net foreign assets of the banking system amounted to JD 8.9 billion at the end of January 2018, compared to JD 9.1 billion at the end of 2017. The net foreign assets at the CBJ amounted to JD 10.1 billion at the end of January 2018.

Factors Affecting Domestic Liquidity (M2)
 JD Million

| | | End of January | |
|-----------------|----------------------------------|-----------------|-----------------|
| 2017 | | 2017 | 2018 |
| 9,122.6 | Foreign Assets (Net) | 8,601.1 | 8,870.5 |
| 10,260.0 | CBJ | 9,395.9 | 10,122.7 |
| -1,137.4 | Licensed Banks | -794.8 | -1,252.2 |
| 23,835.0 | Domestic Assets (Net) | 24,003.9 | 24,418.5 |
| -5,398.5 | CBJ, of which: | -4,829.8 | -5,239.9 |
| 653.1 | Claims on Public Sector (Net) | 1,121.1 | 797.6 |
| -6,074.5 | Other Items (Net*) | -5,974.1 | -6,060.3 |
| 29,233.5 | Licensed Banks | 28,833.7 | 29,658.3 |
| 9,336.7 | Claims on Public Sector (Net) | 9,805.4 | 9,445.5 |
| 22,508.3 | Claims on Private Sector | 20,762.4 | 22,668.5 |
| -2,611.5 | Other Items (Net) | -1,734.1 | -2,455.7 |
| 32,957.6 | Money Supply (M2) | 32,605.0 | 33,289.0 |
| 4,326.5 | Currency in Circulation | 4,081.9 | 4,373.8 |
| 28,631.1 | Total Deposits, of which: | 28,523.1 | 28,915.2 |
| 5,696.5 | In Foreign Currencies | 5,536.6 | 5,775.1 |

* This item includes Certificates of Deposit in Jordanian Dinar.
 Source: Central Bank of Jordan / Monthly Statistical Bulletin.

□ Interest Rates Structure

■ Interest Rates on Monetary Policy Instruments

◆ On December 17th, 2017, the CBJ raised the interest rates on monetary policy instruments by 25 basis points, to become as follows:

- The CBJ main interest rate: 4.00 percent.
- Re-Discount Rate: 5.00 percent.
- Interest Rate on Overnight Repurchase Agreements: 4.75 percent.
- Weekly/ Monthly Repurchase Agreements: 4.00 percent.
- Overnight Deposit Window Rate: 3.00 percent.
- The interest rate on weekly certificates of deposits: 4.00 percent.

| Interest Rates on Monetary Policy Instruments, percentage points | | | |
|--|--|---------|------|
| | | January | |
| 2017 | | 2017 | 2018 |
| 5.00 | Re-discount Rate | 3.75 | 5.00 |
| 4.75 | Repurchase Agreements Rate (overnight) | 3.50 | 4.75 |
| 3.00 | Overnight Deposit Window Rate | 1.75 | 3.00 |
| 4.00 | Repurchase Agreements rate (one week) | 2.75 | 4.00 |
| 4.00 | Repurchase Agreements rate (one month) | 2.75 | 4.00 |
| 4.00 | Certificates of Deposits (one week) | 2.50 | 4.00 |

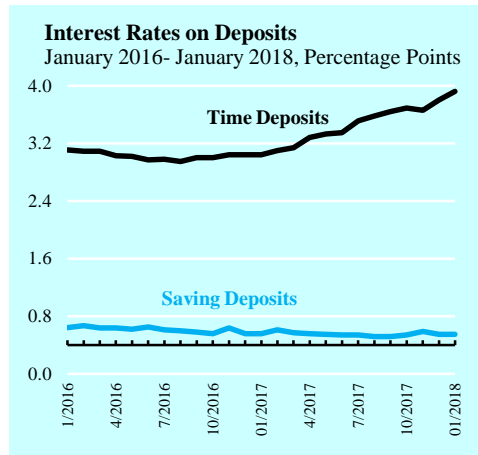
Source: Central Bank of Jordan / Monthly Statistical Bulletin.

This decision aims to maintain monetary and financial stability in Jordan, and to improve attractiveness of JD denominated instruments against instrument denominated in other currencies, through maintaining the structure of local interest rates levels consistent with global and regional interest rates.

■ Interest Rates in the Banking Sector

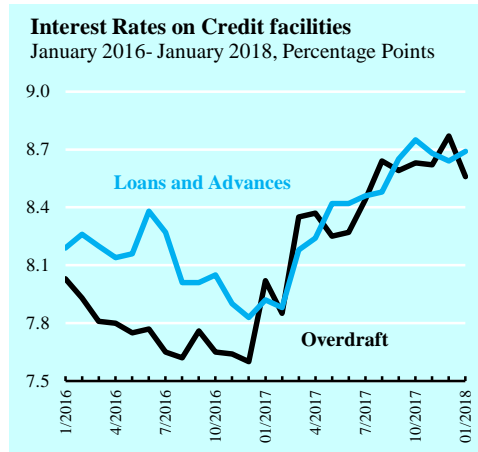
◆ Interest Rates on Deposits

- Time Deposits: The weighted average interest rate on time deposits increased by 12 basis points at the end of January 2018, compared to its level registered at the end of 2017, to stand at 3.92 percent.
- Saving Deposits: The weighted average interest rate on saving deposits at the end of January 2018 maintained at the same level registered at the end of 2017, to stand at 0.55 percent.
- Demand Deposits: The weighted average interest rate on demand deposits decreased by 9 basis points at the end of January 2018, compared to its level registered at the end of 2017, to stand at 0.25 percent.



◆ Interest Rates on Credit Facilities

- Overdraft Accounts: The weighted average interest rate on overdraft accounts decreased by 21 basis points at the end of January 2018, compared to its level registered at the end of 2017, to stand at 8.56 percent.



- Discounted Bills and Bonds: The weighted average interest rate on “discounted bills and bonds” increased by 10 basis points at the end of January 2018, compared to its level registered at the end of 2017, to stand at 10.33 percent.

Interest Rates on Deposits and Credit Facilities at Licensed Banks, percentage points

| | January | | Change Relative to the Preceding Year Basis Points | |
|--------------------------|----------------------------|------|---|-----|
| | 2017 | 2018 | | |
| Deposits | | | | |
| 0.34 | Demand | 0.30 | 0.25 | -9 |
| 0.55 | Saving | 0.56 | 0.55 | 0 |
| 3.80 | Time | 3.04 | 3.92 | 12 |
| Credit Facilities | | | | |
| 10.23 | Discounted Bills and Bonds | 9.12 | 10.33 | 10 |
| 8.64 | Loans and Advances | 7.92 | 8.69 | 5 |
| 8.77 | Overdraft | 8.02 | 8.56 | -21 |
| 8.83 | Prime Lending Rate | 8.38 | 8.91 | 8 |

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

- Loans and Advances: The weighted average interest rate on “loans and advances” increased by 5 basis points at the end of January 2018, compared to its level registered at the end of 2017, to stand at 8.69 percent.
- The prime lending rate stood at 8.91 percent at the end of January 2018. This rate is higher by 8 basis points than its level registered at the end of 2017.

□ Credit Facilities Extended by Licensed Banks

- Total credit facilities extended by licensed banks increased by JD 209.2 million, or 0.8 percent, at the end of January 2018, compared to its level at the end of 2017, against an increase of JD 138.8 million, or 0.6 percent, at the end of 2017.
- In terms of borrowers, the credit facilities at the end of January 2018 had shown an increase in credit extended to the private

sector (resident) by JD 151.6 million, or 0.7 percent, the central government by JD 38.6 million, or 1.8 percent, the private sector (non-resident) by JD 14.0 million, or 2.8 percent, the financial institutions by JD 2.8 million, or 16.5 percent, and the public institutions by JD 2.2 million, or 0.6 percent, compared to their levels at the end of 2017.

□ Deposits at Licensed Banks

- Total deposits at licensed banks stood at JD 33,444.3 million at the end of January 2018, increasing by JD 246.6 million, or 0.7 percent, compared to its level at the end of 2017, against an increase of JD 116.1 million, or 0.4 percent, during the same month in 2017.
- The currency composition of deposits at the end of January 2018 revealed that the JD deposits amounted to JD 25.8 billion, and the deposits in foreign currency amounted to JD 7.7 billion, compared to JD 25.6 billion of JD deposits, and JD 7.4 billion of deposits in foreign currency at the end of 2017.

□ Amman Stock Exchange (ASE)

The main indicators of ASE showed a mixed performance during January 2018, compared to 2017. This can be demonstrated as follows:

■ **Trading Volume**

Trading volume at ASE totaled JD 114.0 million at the end of January 2018, decreased by JD 10.7 million, or 8.6 percent, compared to its level registered in the previous month, against an increase of JD 270.9 million, during the same month in 2017.

■ **Traded Shares**

The number of traded shares in January 2018 totaled 96.2 million shares, decreased by 13.2 million shares, or 12.1 percent, compared to its level registered in the previous month, against an increase by 104.1 million shares during the same month in 2017.

■ **Share Price Index (SPI)**

The SPI weighted by market capitalization of free float shares at ASE increased by 66.5 points, or 3.1 percent, at the end of January 2018, compared to its level registered at the end of 2017, to stand at 2,193.3

points, against a decrease of 8.8 point, or 0.4 percent, during the same month in 2017. The aforementioned increase was an outcome of the increase in the SPI of the industrial sector by 164.2 points, or 7.4 percent, the services sector by 47.0 points, or 3.2 percent, and the financial sector by 35.9 points, or 1.2 percent, compared to their levels at the end of 2017.

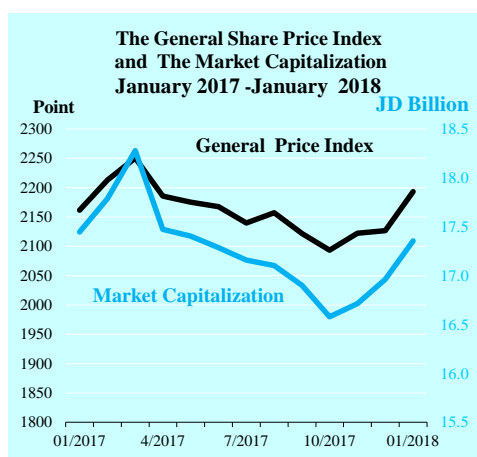
Share Price Index Weighted by Market Capitalization of Free Float Shares, by Sectors

| | | January | |
|---------|----------------------|---------|---------|
| 2017 | | 2017 | 2018 |
| 2,126.8 | General Index | 2,161.5 | 2,193.3 |
| 2,881.5 | Financial Sector | 2,973.1 | 2,917.4 |
| 2,229.5 | Industrial Sector | 1,999.7 | 2,393.8 |
| 1,449.7 | Services Sector | 1,595.0 | 1,496.7 |

Source: Amman Stock Exchange.

■ Market Capitalization

The ASE's market capitalization totaled JD 17.4 billion at the end of January 2018, increasing by JD 391.9 million, or 2.3 percent, compared to its level registered at the end of 2017, against an increase of JD 108.1 million, or 0.6 percent, during the same month in 2017.



■ Non - Jordanian Net Investment

Non-Jordanian net investment at ASE recorded an outflow amounting to JD 7.3 million in January 2018, compared to an outflow of JD 11.5 million during the same month in 2017. The value of shares buying by non-Jordanian in January 2018 amounted to JD 16.6 million, while their selling amounted to JD 23.9 million.

Main Amman Stock Exchange Trading Indicators, JD Million

| | | January | |
|----------|---------------------------------|----------|----------|
| 2017 | | 2017 | 2018 |
| 2,926.2 | Value Traded | 443.4 | 114.0 |
| 11.8 | Average Daily Trading | 20.2 | 5.2 |
| 16,962.6 | Market Capitalization | 17,447.1 | 17,354.5 |
| 1,716.7 | No. of Traded Shares (million) | 219.8 | 96.2 |
| -334.3 | Net Investment of Non-Jordanian | -11.5 | -7.3 |
| 995.0 | Non-Jordanian Buying | 183.1 | 16.6 |
| 1,329.2 | Non-Jordanian Selling | 194.6 | 23.9 |

Source: Amman Stock Exchange.

Second: Output, Prices and Employment

□ Summary

- Gross Domestic Product (GDP), at constant market prices, grew by 1.9 percent during the third quarter of 2017, against 1.8 percent during the same quarter of 2016. At current market prices, GDP grew by 3.8 percent during the third quarter of 2017, compared to 2.6 percent during the same quarter of 2016.
- Accordingly, the real GDP grew by 2.0 percent during the first three quarters of 2017. Thus, maintaining the same growth rate during the same period of 2016. At current market prices, GDP grew by 3.7 percent during the first three quarter of 2017, compared to 3.2 percent during the same period in 2016.
- The general price level measured by the percentage change in the CPI increased during January 2018 by 3.0 percent, compared to rise of 2.5 percent during the same month of 2017.
- The unemployment rate during the fourth quarter of 2017 amounted of 18.5 percent (16.1 percent for males and 27.5 percent for females), The highest unemployment rate among youth reached 45.4 percent for the categories of 15-19 years old, and 36.4 percent for those between 20-24 years.

□ Developments of GDP

- Despite continuing of the political and social unrest in the region, particularly in Syria and Iraq, that have strongly affected the performance of many key economic sectors; the real GDP grew by 2.0 percent during the first three quarters of 2017, maintaining the same level of growth rate recorded during the corresponding period of 2016. When excluding “net taxes on products”, which grew by 1.2 percent, GDP at constant basic prices grew by 2.2 percent during the first three quarters of 2017, Maintaining the same growth rate recorded during the corresponding period of 2016.

**Quarterly Growth Rates of GDP at Market Prices
2015 - 2017**

| | Q1 | Q2 | Q3 | Q4 | Percentages Year |
|-------------------------------|-----|-----|-----|-----|---------------------|
| 2015 | | | | | |
| GDP at Constant Market Prices | 2.0 | 2.4 | 2.6 | 2.6 | 2.4 |
| GDP at Current Market Prices | 5.1 | 4.5 | 4.7 | 4.6 | 4.7 |
| 2016 | | | | | |
| GDP at Constant Market Prices | 2.3 | 1.9 | 1.8 | 2.0 | 2.0 |
| GDP at Current Market Prices | 3.8 | 3.2 | 2.6 | 2.7 | 3.0 |
| 2017 | | | | | |
| GDP at Constant Market Prices | 2.2 | 2.0 | 1.9 | - | - |
| GDP at Current Market Prices | 3.9 | 3.4 | 3.8 | - | - |

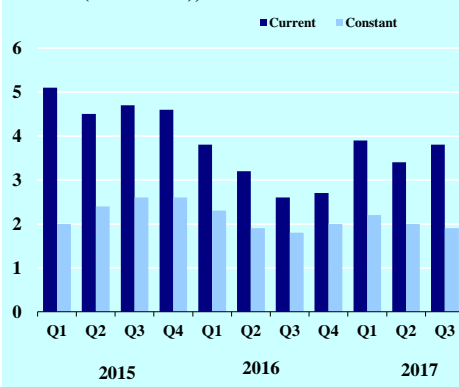
Source: Department of Statistics.

At current market prices, GDP grew by 3.7 percent during the first three quarters of 2017, compared to 3.2 percent during the same period of 2016. This increase in nominal growth is mainly attributed to the increase in the general price level, measured by the GDP deflator, which grew by 1.6 percent, compared to 1.1 percent during the first three quarters of 2016.

The main sectors contributed to the real economic growth during the first three quarter of 2017 were; “finance and insurance services” (0.4 percentage point), “transport, storage and communications” (0.4 percentage point), “mining and quarrying” (0.2 percentage point), manufacturing (0.2 percentage point), and agriculture (0.2 percentage point). These sectors collectively accounted for 70 percent of real GDP growth during the first three quarters of 2017.

The economic sectors displayed a divergent performance during the first three quarters of 2017. Some sectors recorded accelerated growth, such as “mining and quarrying”, Manufacturing, and “restaurant and hotels”. Meanwhile, “Finance and Insurance Services”, “transport, storage and communications”, Agriculture, “electricity and water” and Construction experienced a slowdown.

Quarterly Growth Rates of GDP at Market Prices (2015- 2017), %



Gross Domestic Product At Constant Market Prices, Percentages

| Sectors | Relative change First three quarters | | Contribution First three quarters | |
|---|---|------|--------------------------------------|------|
| | 2016 | 2017 | 2016 | 2017 |
| GDP At Constant Market Prices | 2.0 | 2.0 | 2.0 | 2.0 |
| Agriculture, Hunting, Forestry, And Fishing | 5.3 | 5.2 | 0.2 | 0.2 |
| Mining And Quarrying | -14.7 | 15.8 | -0.2 | 0.2 |
| Manufacturing | 0.8 | 1.1 | 0.1 | 0.2 |
| Electricity And Water | 10.8 | 2.6 | 0.2 | 0.1 |
| Construction | 0.8 | 0.1 | - | - |
| Wholesale And Retail Trade | 1.3 | 1.5 | 0.1 | 0.1 |
| Restaurant And Hotels | -0.9 | 0.7 | - | - |
| Transport, Storage & Communications | 3.2 | 2.4 | 0.5 | 0.4 |
| Finance And Insurance Services | 5.6 | 4.0 | 0.6 | 0.4 |
| Real Estate | 2.2 | 2.2 | 0.2 | 0.2 |
| Community, Social And Personal | 3.6 | 3.6 | 0.2 | 0.2 |
| Producers Of Government Services | 1.2 | 0.9 | 0.1 | 0.1 |
| Producers Of Private Non-Profit Services | 4.1 | 4.1 | - | - |
| Domestic Services Of Households | 0.1 | 0.1 | - | - |

Source : Department of Statistics.
- :Less than 0.1 percentage point.

□ Microeconomic Indicators

The microeconomic indicators displayed divergent performance during the available period of 2018. Some indicators recorded a notable growth, such as; “cargo through Royal Jordanian” (28.9 percent), “mining and quarrying production quantity index” (18.8 percent) and “number of passengers through Royal Jordanian” (9.7 percent). However, other indicators showed a contraction, particularly; “value traded at the real estate market” (14.2 percent) and “manufacturing production quantity index” (1.5 percent). The following table displays the performance of the main sectoral indicators.

| Main Sectoral Indicators* | | | | |
|----------------------------------|--|-------|------------------|-------|
| Percentage Points | | | | |
| 2017 | Item | 2017 | Available period | 2018 |
| 4.5 | Licensed areas for buildings | - | Jan. | - |
| -2.4 | Manufacturing production quantity index | 1.1 | | -1.5 |
| -4.9 | Food products and beverages | -17.9 | | -17.3 |
| -3.1 | Tobacco products | -25.3 | | 15.5 |
| -7.3 | Refined petroleum products | -1.0 | | -17.6 |
| -6.3 | Wearing apparel | 77.3 | | -10.1 |
| 1.9 | Non-metallic mineral products | 26.5 | | 16.5 |
| 0.3 | Chemical products | 17.0 | | 27.1 |
| 13.4 | “Mining and quarrying” production quantity index | 0.5 | | 18.8 |
| -13.8 | Extraction of crude petroleum and natural gas | -23.7 | | 0.3 |
| 13.6 | Other mining and quarrying | 0.8 | | 19.0 |
| 6.9 | Number of passengers through Royal Jordanian | -3.0 | | 9.7 |
| 8.4 | Cargo through Royal Jordanian | -15.9 | | 28.9 |
| -14.1 | Value traded at the real estate market | 6.2 | | -14.2 |
| 7.3 | Number of departures | -1.3 | Jan.-Feb. | 6.9 |

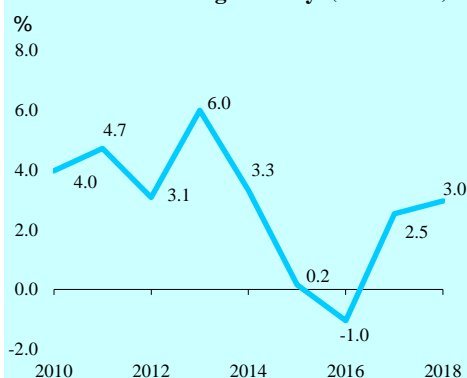
* : Computed based on the data from Department of Statistics, Department of land and survey, and Royal Jordanian.

Prices

The general price level, measured by the percentage change in CPI, increased by 3.0 percent during January 2018, compared to a rise of 2.5 percent during the same month of 2017. This came as a result of the increase in the prices of oil in the global markets and its impact on domestic prices, in addition to a set of government measures that included ending subsidies on bread and raising sales tax to become 10 percent on exempted sales and subordinated from sales tax (zaro and 4 percent). Hereby, the main groups and items that witnessed an increase in their prices during January 2018:

- “Tobacco and cigarettes” prices increased significantly by 21.3 percent compared to a rise of 4.8 percent in January 2017, as a result of the government's decision to raise the tax on cigarettes by 200 fils for each pack of cigarettes offered for domestic consumption.

Inflation Rate during January (2010-2018)



Inflation Rate during (2017 – 2018)

| Expenditure Groups | Relative Imp. | Relative change | | Contribution | |
|--|---------------|-----------------|----------|--------------|----------|
| | | Jan 2017 | Jan 2018 | Jan 2017 | Jan 2018 |
| All Items | 100 | 2.5 | 3.0 | 2.5 | 3.0 |
| 1) Food and non-Alcoholic Beverages, of which: | 33.4 | -1.4 | -1.3 | -0.5 | -0.4 |
| Food | 30.5 | -1.6 | -1.6 | -0.5 | -0.5 |
| Meat and Poultry | 8.2 | -5.2 | 0.4 | -0.4 | 0.0 |
| Dairy Products and Eggs | 4.2 | 1.0 | -6.8 | 0.0 | -0.3 |
| Vegetables and Legumes Dry and Canned | 3.9 | 1.4 | -8.6 | 0.1 | -0.3 |
| Fruits and Nuts | 2.7 | -9.2 | -2.1 | -0.3 | -0.1 |
| Oils and Fats | 1.9 | 2.7 | 4.3 | 0.0 | 0.1 |
| 2) Alcohol and Tobacco and Cigarettes | 4.4 | 4.8 | 21.2 | 0.2 | 0.9 |
| 3) Clothing and footwear | 3.5 | -2.9 | -0.2 | -0.1 | 0.0 |
| 4) Housing, of which: | 21.9 | 2.6 | 3.0 | 0.6 | 0.7 |
| Rents | 15.6 | 2.1 | 2.8 | 0.4 | 0.5 |
| Fuels and Lighting | 4.8 | 3.0 | 4.7 | 0.1 | 0.2 |
| 5) Household Furnishings and Equipment | 4.2 | 1.2 | 1.9 | 0.0 | 0.1 |
| 6) Health | 2.2 | 10.0 | 6.4 | 0.2 | 0.2 |
| 7) Transportation | 13.6 | 11.0 | 8.7 | 1.4 | 1.2 |
| 8) Communication | 3.5 | 0.0 | 1.9 | 0.0 | 0.1 |
| 9) Culture and Recreation | 2.3 | 11.1 | 0.9 | 0.2 | 0.0 |
| 10) Education | 5.4 | 3.6 | 1.4 | 0.2 | 0.1 |
| 11) Restaurants and Hotels | 1.8 | -0.3 | 0.9 | 0.0 | 0.0 |
| 12) Other Goods and Services | 3.7 | 5.7 | 4.0 | 0.2 | 0.2 |

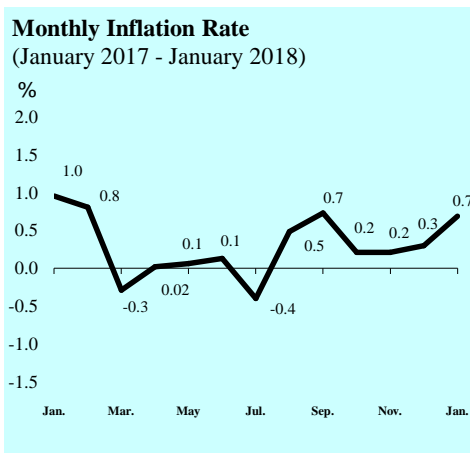
Source: Department of Statistics.

- Housing prices increased by 3.0 percent compared to a rise of 2.6 percent in January 2017. This increase was attributed (partially) to an increase in the prices of rents by 2.8 percent compared to a rise by 2.1 percent in January 2017.
- “Oil and fats” increased by 4.3 percent compared to a contraction by 2.7 percent in January 2017.
- Transportation prices increased by 8.7 percent compared to an increase by 11.0 percent in January 2017.

The above groups and items have collectively raised inflation rate during January 2018 by 2.9 percentage points, compared to a contribution of 2.2 percentage points during the same month of 2017.

In contrast, prices of other groups and items showed varied contractions, mainly; “vegetables and legumes dry and canned” (8.6 percent), “dairy products and eggs” (6.8 percent) and “clothing and footwear” (0.2 percent).

In January 2018, the CPI witnessed an increase compared to December 2017 by 0.7 percent. This was due to the increase in prices of some groups and items, mainly; “tobacco and cigarettes” (13.5 percent), “meat and poultry” (2.2 percent), “dairy products and eggs” (1.2 percent), and transportation (1.0 percent), and the decrease “vegetables and legumes dry and canned” (10.2 percent) and “fuels and lighting” (0.1 percent).

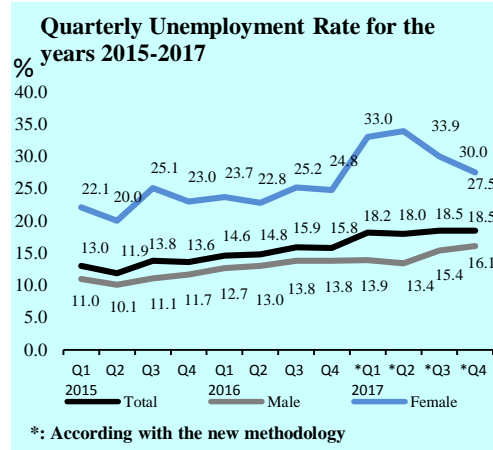


□ Labor Market

The Department of Statistics has developed the methodology of the labor force survey since the first quarter of 2017*, to cope with the new recommendations issued by the International Labour Organization (ILO), of which; excluding the unpaid workers from the “employed persons”

definition, noting that they used to be considered in the previous methodology as employed ones. In addition, the sample size has been extended to 16 thousand households instead of 13 thousand households, based on the results of Jordan's Population Census-2015. Hereby, the prominent indicators of the labor Market during the fourth quarter of 2017, according to the new methodology:

- The unemployment rate reached 18.5 percent (16.1 percent for males, and 27.5 percent for females). While, the unemployment rate among academic degree holders (Bachelor and higher) reached 22.8 percent.
- The highest unemployment rates were between the two age categories 15-19 years and 20-24 years, by (45.4 percent) and (36.4 percent), respectively.
- The refined economic participation rate (the labor force attributed to the population 15 years and above), was 38.1 percent (60.0 percent for males, and 16.2 percent for females).



*: According with the new methodology

· The data before the first quarter of 2017 is not available, according to the new methodology

Third: Public Finance

□ Summary:

- The general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 747.9 million (2.6 percent of GDP) in 2017, comparing to a fiscal deficit in the amount of JD 878.6 million (3.2 percent of GDP) in 2016. When excluding foreign grants (JD 707.7 million), the general budget deficit widens to reach JD 1,455.6 million (5.1 percent of GDP) compared to a deficit in the amount of JD 1,714.6 million (6.2 percent of GDP) in 2016.
- Gross outstanding domestic public debt (budgetary and own-budget) decreased by JD 391.6 million at the end of 2017 compared to its level at the end of 2016, to reach JD 15,402.1 million (53.8 percent of GDP).
- Outstanding external public debt (budget and guaranteed) went up by JD 1,568.2 million at the end of 2017, compared to its level at the end of 2016, to stand at JD 11,867.2 million (41.5 percent of GDP).

- As a result, gross outstanding public debt (domestic and external) rose to JD 27,269.3 million (95.3 percent of GDP) at the end of 2017 compared to JD 26,092.7 million (95.1 percent of GDP) at the end of 2016.
 - Central government banks deposits decreased by JD 179.8 million at the end of 2017 compared to the end of 2016 to reach JD 1,833.5 million.
 - Accordingly, net outstanding domestic public debt decreased by JD 211.8 million to reach JD 13,568.6 million (47.4 percent of GDP) at the end of 2017. However, net outstanding public debt increased by JD 1,356.4 million to reach JD 25,435.8 million (88.9 percent of GDP).
- **The performance of the general budget during 2017 compared to 2016:**

■ **Public Revenues**

Public revenues (domestic revenues *plus* foreign grants) increased by JD 195.8 million, or 22.2 percent, in December 2017 compared to the same month of 2016 to reach JD 1,078.1 million. As for the whole year of 2017, public revenues went up by JD 355.7 million, or 5.0 percent, compared to 2016 to stand at JD 7,425.3 million. This came as an outcome of the increase in domestic revenues by JD 484.0 million, and a decrease in foreign grants by JD 128.3 million.

Main Government Budget indicators during 2017

(JD Million and Percentages)

| | Dec. | | Growth Rate | Jan. – Dec. | | Growth Rate |
|--|--------------|----------------|-------------|----------------|----------------|-------------|
| | 2016 | 2017 | | 2016 | 2017 | |
| Total Revenues and Grants | 882.3 | 1,078.1 | 22.2 | 7,069.6 | 7,425.3 | 5.0 |
| Domestic Revenues, of which: | 452.7 | 610.4 | 34.8 | 6,233.6 | 6,717.6 | 7.8 |
| Tax Revenues, of which: | 283.9 | 332.0 | 16.9 | 4,254.3 | 4,343.5 | 2.1 |
| General Sales Tax | 222.4 | 260.4 | 17.1 | 2,883.8 | 2,993.1 | 3.8 |
| Other Revenues | 167.6 | 277.2 | 65.4 | 1,964.1 | 2,362.7 | 20.3 |
| Foreign Grants | 429.6 | 467.7 | 8.9 | 836.0 | 707.7 | -15.3 |
| Total Expenditures, of which: | 957.8 | 916.0 | -4.4 | 7,948.2 | 8,173.2 | 2.8 |
| Capital Expenditures | 227.5 | 257.6 | 13.2 | 1,029.1 | 1,060.2 | 3.0 |
| Overall Deficit/ Surplus (Including Grants) | -75.5 | 162.1 | - | -878.6 | -747.9 | - |
| Overall Deficit/ Surplus (Including Grants) as a percent of GDP | - | - | - | -3.2 | -2.6 | - |

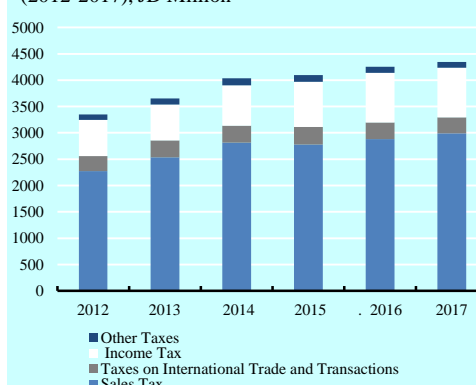
Source: Ministry of Finance/ General Government Finance Bulletin.

◆ Domestic Revenues

Domestic revenues witnessed an increase of JD 484.0 million, or 7.8 percent, in 2017 compared to 2016, to reach JD 6,717.6 million. This increase was an outcome of the rise in the proceeds of “other revenues” and “tax revenues” by JD 398.3 million, and JD 89.2

million, respectively, and the drop in pension contributions by JD 3.7 million. Accordingly, the coverage ratio (measured by the ratio of domestic revenues to current expenditures) witnessed an increase to reach 94.4 percent in 2017 against 90.1 percent in 2016.

Tax Revenue Structure (2012-2017), JD Million



- **Tax Revenues**

Tax revenues increased by JD 89.2 million, or 2.1 percent, during 2017 compared to 2016, to reach JD 4,343.5 million (64.7 percent of domestic revenues). Following are the main developments in tax revenue items:

- An increase in the proceeds of **general sales tax on goods and services** by JD 109.3 million, or 3.8 percent, to reach JD 2,993.1 million (accounting for 68.9 percent of total tax revenues). This result was an outcome of the increase in the proceeds of sales tax on domestic goods, commercial sector, and imported goods by JD 67.8 million, JD 58.1 million and JD 13.7 million, respectively, and the decrease in the proceeds of sales tax on services by JD 30.3 million.
- A decline in the proceeds of **income and profit taxes** by JD 6.3 million, or 0.7 percent, to reach JD 938.4 million (accounting for 21.6 percent of total tax revenues). This decline was mainly an outcome of the decrease in the proceeds of income tax from companies and projects by JD 8.3 million due to the weak performance of the companies. However, the proceeds of income tax from individuals increased by JD 2.0 million. Accordingly, income tax from companies and projects accounted for 79.1 percent of total proceeds of income and profits taxes, amounting to JD 742.5 million.

- A decrease in the proceeds of **taxes on international trade and transactions** (including customs duties and fees) by JD 6.7 million, or 2.2 percent, to reach JD 304.3 million (accounting for 7.0 percent of total tax revenues).
- A decrease in the proceeds of **taxes on financial transactions (real-estate tax)** by JD 7.1 million, or 6.2 percent, to reach JD 107.7 million (accounting for 2.5 percent of total tax revenues).

● Non-Tax Revenues

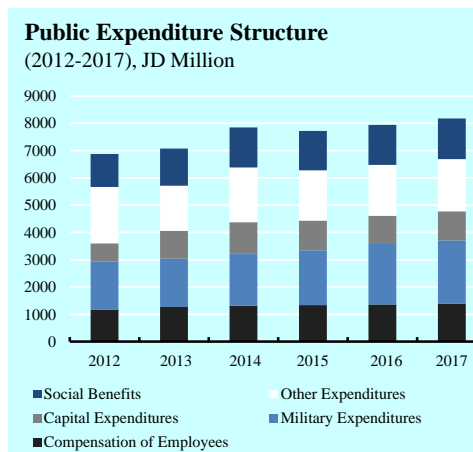
- “Other revenues” increased by JD 398.6 million, or 20.3 percent, in 2017 to reach JD 2,362.7 million. This increase was chiefly due to the following:
 - An increase in miscellaneous revenues by JD 251.0 million to stand at JD 1,094.6 million.
 - An increase in revenues from selling goods and services by JD 87.4 million to reach JD 915.7 million.
 - An increase in property income by JD 60.2 million to stand at JD 352.4 million (of which financial surplus of independent government units amounted to JD 319.4 million against JD 266.8 million in 2016).
- Pension contributions witnessed a decrease of JD 3.7 million, or 24.3 percent, in 2017 compared to 2016, standing at JD 11.5 million.

◆ Foreign Grants

Foreign grants decreased by JD 128.3 million, or 15.3 percent, in 2017, standing at JD 707.7 million compared to JD 836.0 million in 2016.

Public Expenditures

Public expenditures witnessed a decrease of JD 41.8 million, or 4.4 percent, in December 2017 compared to the same month of 2016 to stand at JD 916.0 million. While public expenditures increased by JD 225.0 million, or 2.8 percent, in 2017 to stand at JD 8,173.2 million. This increase was a result of the rise in current expenditures and capital expenditures by JD 193.9 million and JD 31.1 million, respectively.



Current Expenditures

Current expenditures went up by JD 193.9 million, or 2.8 percent, in 2017 to reach JD 7,113.0 million. This result was driven by the increase in the majority of its items:

- An increase in military expenditures by JD 109.6 million to total JD 2,325.1 million, accounting for 32.7 percent of total current expenditures (28.4 percent of total public expenditures).
- A rise in the compensation of civil sector's employees (wages, salaries and social security contributions) by JD 17.0 million to reach JD 1,387.0 million, accounting for 19.5 percent of total current expenditures (17.0 percent of total public expenditures).
- An increase in social benefits by JD 6.3 million to stand at JD 1,482.4 million, accounting for 20.8 percent of total current expenditures.
- An increase in interest payments (commitment basis) by JD 20.9 million to stand at JD 856.2 million, accounting for 12.0 percent of total current expenditures.

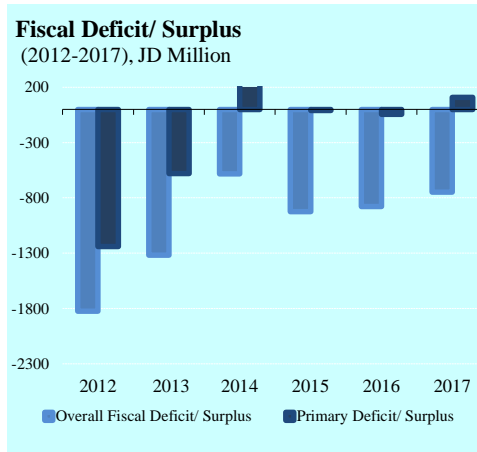
- An increase in subsidies by JD 46.5 million to stand at JD 287.9 million, accounting for 4.0 percent of total current expenditures.
- However, the purchases of goods and services decreased by JD 63.4 million to reach JD 380.4 million, accounting for 5.3 percent of total current expenditures.

◆ **Capital Expenditures**

Capital expenditures increased by JD 31.1 million, or 3.0 percent, during 2017 compared to 2016, to reach JD 1,060.2 million.

■ **General Budget Deficit/ Surplus**

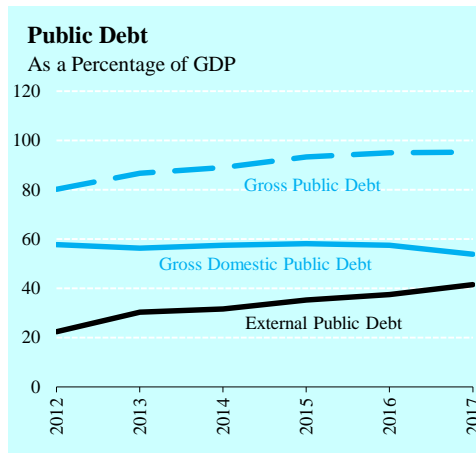
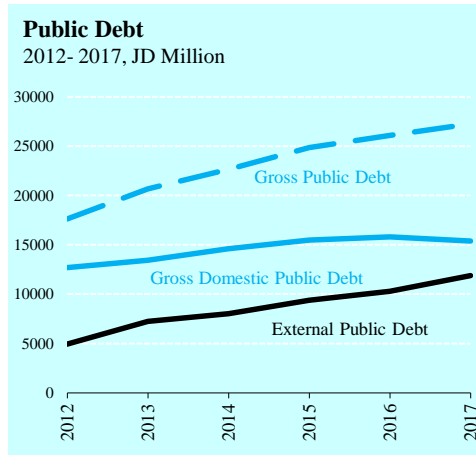
- ◆ The general budget, including foreign grants, displayed an overall fiscal deficit amounted to JD 747.9 million during 2017, an increase of JD 130.7 million compared to its level in 2016. As a percent of GDP, the budget deficit reached 2.6 percent, compared to 3.2 percent in 2016.



- ◆ When foreign grants were excluded, the general budget deficit widened to JD 1,455.6 million (5.1 percent of GDP) during 2017, against a fiscal deficit of JD 1,714.6 million (6.2 percent of GDP) in 2016.
- ◆ The general budget recorded a primary deficit (domestic revenues *minus* total public expenditures excluding interest payments on public debt) in the amount of JD 599.4 million (2.1 percent of GDP) during 2017, against a primary deficit of JD 879.3 million (3.2 percent of GDP) in 2016.

Public Debt

Gross outstanding domestic public debt decreased by JD 391.6 million at the end of 2017 compared to its level at the end of 2016 to total JD 15,402.1 million (53.8 percent of GDP). This decrease was an outcome of the drop in total domestic public debt of the general budget by JD 628.0 million, and the increase in the total domestic public debt of own-budget agencies by JD 236.4 million compared to their levels at the end of 2016, standing at JD 12,546.8 million and JD 2,855.3 million, respectively. The decrease in the budgetary domestic public debt was mainly attributed to the drop in the balance of treasury bills and bonds at the end of 2017 by JD 529.1 million compared to the level achieved at the end of 2016 to reach JD 12,193.9 million. Moreover, the outstanding balance of loans and advances provided by the CBJ to the central government declined by JD 80.0 million compared to its level achieved at the end of 2016, to reach JD 351.7 million. Moreover, the rise of the domestic public debt of own-budget agencies was driven by the increase in loans and advances extended to these institutions by JD 111.4 million



compared to their level at the end of 2016, to reach JD 2,197.8 million, and the rise in the independent institutions' bonds by JD 125.0 million compared to their level at the end of 2016, to reach JD 657.5 million.

- Regarding the balance of the external public debt (budget and guaranteed) it went up by JD 1,568.2 million at the end of 2017, compared to its level at the end of 2016 to reach JD 11,867.2 million (41.5 percent of GDP). This increase is attributed to the issuance of long-term Eurobonds in the international markets in the amount of USD 1 billion (equivalent to JD 710 million) in October 2017. It is worth mentioning that the balance of the external public debt denominated in the U.S. dollar accounted for 67.5 percent of the total external debt, and the SDR accounted for 9.3 percent. However, the debt in Euro accounted for 8.5 percent, Japanese Yen (6.5 percent), and Kuwaiti Dinar (5.8 percent).
- In light of the abovementioned developments, gross public debt (domestic and external) increased by JD 1,176.6 million at the end of 2017 compared to its level at the end of 2016 to stand at JD 27,269.3 million (95.3 percent of GDP), against JD 26,092.7 million (95.1 percent of GDP) at the end of 2016.
- On the other hand, government deposits with the banking system declined by JD 179.8 million at the end of 2017 compared to the end of 2016 to reach JD 1,833.5 million.
- Thus, net domestic public debt of the central government (the total balance of the domestic public debt of the central government *minus* government deposits with the banking system) decreased by JD 211.8 million at the end of 2017 to reach JD 13,568.6 million (47.4 percent of GDP). Whereas, net public debt increased by JD 1,356.4 million at the end of 2017 to stand at JD 25,435.8 million, accounting for 88.9 percent of GDP compared to 87.7 percent of GDP at the end of 2016.

- External debt service (budget and guaranteed) decreased by JD 490.8 million during 2017 compared to 2016 to reach JD 1,179.7 million (including principal payments of JD 888.3 million and interest of JD 291.4 million).

□ Fiscal and Price Measures of 2018

◆ March

- Lowering the prices of all types of oil derivatives, except the prices of kerosene and liquid gas cylinder for households, which remained unchanged, as follows:

Development of Oil Derivatives Price

| | Unit | 2018 | | Percentage Change |
|--|-------------|----------|-------|-------------------|
| | | February | March | |
| Unleaded Gasoline 90 | Fils/Liter | 765 | 760 | -0.7 |
| Unleaded Gasoline 95 | Fils/Liter | 1,000 | 985 | -1.5 |
| Unleaded Gasoline 98 | Fils/Liter | 1,150 | 1,135 | -1.3 |
| Gas Oil (Diesel) | Fils/Liter | 565 | 560 | -0.9 |
| Kerosene | Fils/Liter | 520 | 520 | 0.0 |
| Liquid Gas (12.5kg) | JD/Cylinder | 7.0 | 7.0 | 0.0 |
| Fuel oil for industry | JD/Ton | 396.0 | 387.4 | -2.2 |
| Fuel for airplanes (local companies) | Fils/Liter | 449 | 445 | -0.9 |
| Fuel for airplanes (foreign companies) | Fils/Liter | 454 | 450 | -0.9 |
| Fuel for unplanned flights | Fils/Liter | 469 | 465 | -0.9 |
| Asphalt | JD/Ton | 390.9 | 380.5 | -2.7 |

Source: Jordan Petroleum Refinery Company (1/3/2018).

- The Energy and Minerals Regulatory Commission decided to amend fuel price bands item, included in the electric bill, to become 14 fils instead of 12 fils, starting in March, while continuing to exempt the household that consumes less than 300 kilowatt per month.

◆ February

- The Director General of Land Transport Regulatory Commission (LTRC) decided to raise the public transport fares by 10 percent as of 7/2/2018. The decision covers medium and large public buses and all taxis.
- The Energy and Minerals Regulatory Commission decided to amend fuel price bands item, included in the electric bill, to become 12 fils instead of 4 fils, starting in February, while continuing to exempt the household that consumes less than 300 kilowatt per month.

◆ January

- The cabinet adopted a bundle of fiscal measures, including the following:
 - Determine the price of flour by JD 222 per ton, and prices of bread in bakeries, as follows:
 - JD 0.40 for small pita bread per kilogram.
 - JD 0.32 for large pita bread per kilogram.
 - JD 0.35 for arabic bread (Mashrouh) per kilogram.
 - Raise sales tax to become 10 per on exempted sales And subordinated from sales tax (zero and 4 per cent). The taxes on essential commodities remained unchanged.
 - Raise sales tax to become 10 percent on exempted sales And subordinated from sales tax (zero and 4 per cent). The taxes on essential commodities remained unchanged.
 - impose an excise tax 20 piasters has been added on cigarette packets.
 - impose fees for each car ride are imported by weight, as follows:
 - JD 500 for each car less than 1000 Kg.
 - JD 750 for each car higher than 1000 Kg to 1250 Kg.
 - JD 1000 for each car higher than 1250Kg to 1500Kg.
 - JD 1500 for each car higher than 1500Kg.
 - Raising the special tax on gasoline 95 & 98 to become 30 percent.
 - Raising the special tax on soft drinks to become 20 percent.

- decreasing fee for the ownership transfer of any vehicle from one person to another for both individuals and corporate (except public, agricultural and construction vehicles), as follows:

| Engine category CC | Vehicles aged 10 years or less | | Vehicles older than 10 years | |
|--------------------------|--------------------------------|--------------|------------------------------|--------------|
| | Previous Fees | Current Fees | Previous Fees | Current Fees |
| Less than 1500 | 50 | 40 | 40 | 30 |
| Higher than 1500 to 2000 | 100 | 80 | 80 | 60 |
| Higher than 2000 | 400 | 200 | 120 | 100 |

□ Grants, Loans and Other Agreements

- Signing an additional financing grant agreement extended by the World Bank, in the amount of USD 10.8 million, to support a project for "Syrian refugee host communities response to emergency services and enhance capability to adapt with social changes" (January 2017).
- Signing a grant agreement provided by the European Union (EU) in the amount of EUR 55 million, as a sectoral support through the general budget aiming at promoting private sector development, and adopting reforms in the field of business environment and investment climate. The EU provided an additional EUR 10 million to the original amount (EUR 45 million) to contribute in mitigating the repercussions of the Syria crisis, and honoring its commitments to the bilateral cooperation and the London donor conference (January 2017).
- Signing a grant agreement with the Kuwait Fund for Arab Economic Development in the amount of USD 14.1 million, to finance projects implemented by the Cities and Villages Development Bank (January 2017).
- Signing the US wheat grant agreement for the year 2017, in the amount of 100,000 tones as part of the food aid program implemented by the United States (February 2017).
- Signing a grant agreement with the Canadian government in the amount of USD 7.6 million to support the Ministry of Education plan "To speed up Syrian students access to formal education", as has been agreed at the London Donor Conference (February 2017).

- Signing a grant agreement with the Japanese government in the amount of USD 4.5 million to finance the purchase of advanced machines and security equipment for 5 Jordanian border centers in the aim of enhancing their security conditions. (March 2017).
- Signing a memorandum of understanding (MoU) with the Italian government. The MoU includes the Italian assistance program, within the framework of Italian commitments during the London Conference to support Jordan, in the amount of EUR 168.8 million for the period (2017-2019); aiming at supporting the general budget and financing development projects in a number of vital sectors (March 2017).
- Signing a grant, protocol agreement with the UNICEF in the amount of JD 1,174.0 million to support the National Aid Fund in financing its studies and strengthening its institutional capacity building (March 2017).
- Signing a grant agreement with the German Reconstruction Bank of EUR 44.0 million to finance the second phase of the energy supply project for host communities for Syrian refugees (March 2017).
- Singing two grant agreements in the amount of EUR 1.7 million provided by the European Investment Bank (EIB) distributed as follows (May 2017):
 - A grant agreement in the amount of EUR 714.0 thousand to provide technical assistance to finance a feasibility study of a project for an industrial waste water treatment plant in Zarqa through a public private partnership framework.
 - A grant agreement in the amount of EUR 1.0 million to implement additional activities and studies to operate the first phase of the Red Sea – Dead Sea water conveyance project.
- Signing an additional grant agreement provided by the Japanese government through the Japanese International Cooperation Agency (JICA), in the amount of USD 21.6 million to support the second phase of the project aiming at improving the efficiency of the water sector in the northern governorates hosting Syrian refugees (May 2017).

- Signing a soft loan agreement and a grant agreement in the amount of USD 52.8 million provided by the World Bank (WB). The first agreement amounted to USD 50.0 million (of which USD 36.1 million in the form of a concessional loan, and an amount of USD 13.9 million as a grant aimed at supporting the public budget in the emergency health project. The second agreement will be allocated to fund a project to provide integrated social services for the most affected youth. The grant amounts to USD 2.8 million provided through the Japan Social Development Fund (JSDF) with the WB's management (June 2017).
- Signing several project agreements provided by the German government in the amount of EUR 107.5 million, as follows (July 2017):
 - A frame agreement for financial cooperation with Germany for the year 2016 as a part of Germany's commitments to Jordan according to the outcome of the London conference.
 - A grant agreement in the amount of EUR 19 million, to finance the first phase of school construction program.
 - Two grant agreements in the amount of EUR 32 million and EUR 8 million, to finance water and wastewater systems for host communities for Syrian refugees (fifth and sixth phase)
 - A grant agreement to finance project " climate protection in wastewater sector" in the amount of EUR 3 million, and another grant in the amount of EUR 350 thousand to finance the consultancy expenses for the preparatory phase of the project.
 - A grant agreement in the amount of EUR 700 thousand to finance the services of Experts in order to study the various aspects of the use of renewable energy in the water sector.
 - A grant agreement to finance salaries of teachers and employees in the Ministry of Education in the amount of EUR 20 million, to support the access of Syrian refugee to formal education for the year(2017/2018).
 - A loan agreement in the amount of EUR 24 million, to finance the second phase of the energy efficiency project in the water sector.

- Signing a loan agreement with the Arab Fund for Economic and Social Development (AFESD) in the amount of KWD 14 million (equivalent to USD 46.3 million), in order to contribute to the financing of the Salt Ring Road project (August 2017).
- Signing a soft loan (Ijara) and a grant agreements in the total amount of USD 100 million with the Islamic Development Bank (IDB), of which an amount of USD 79 million will be extended as a soft loan (Ijara), while the remaining amount of USD 21 million will be provided in the form of a grant, as a contribution to finance the Emergency Health Project as a sectoral support for the general budget (August 2017).
- Signing a soft loan agreement with the World Bank in the amount of USD 50 million to support the establishment of the Innovative Startups Fund (August 2017).
- Signing a grant agreement with the Saudi Fund for Development (SFD) in the amount of USD 60 million to implement traffic intersections in Amman, as part of Saudi Arabia's contribution to the Gulf Cooperation Council (GCC) grant (September 2017).
- Signing a concessional loan agreement with the European Union (EU) in the amount of EUR 200 million, and it will be transferred to the treasury in two installments, the first EUR 100 million is due before the end of 2017, and the second installment of EUR 100 million in 2018. The loan will be used to cover the financing gap through providing direct support to the treasury within the EU's tool for financial cooperation at the macro level (September 2017).
- Signing two memorandums of understanding (MoU) with the Republic of China, the first MoU covers the medium-term program of development, economic and technical cooperation for the years (2018-2020), aiming at strengthening the cooperation relations between the two countries in several fields of common concern. The second one for the tender and implementation of the expansion and rehabilitation of the Salt / Al-Arda road at an estimated cost of Yuan 210 million, equivalent to USD 31.6 million (October 2017).

- Signing a financing agreement (concessional loan and grant) with the International Fund for Agricultural Development (IFAD) in the amount of USD 12.8 million (of which USD 8.4 million a concessional loan and USD 4.4 million as a grant). The Fund will be used to finance the small-ruminant investment projects and combating poverty (November 2017).
- Signing an additional grant agreement with the German Development Bank (KfW) in the amount of EUR 10 million to finance the School Construction Programme, phase II (November 2017).
- Signing a grant agreement provided by the United Kingdom (UK) in the amount of GBP 94.5 million, as part of the assistance provided to Jordan to support economic opportunities and the education sector (December 2017).
- Signing a grant agreement provided by the United States (USA) in the amount of USD 475 million, under the Economic Support Fund (ESF) for Jordan (December 2017).
- Within the co-financing program of the German-French in the amount of EUR 300 million, to support Water Sector Reforms (DPL), the government signed two agreements with France and Germany, as follows: (December 2017).
 - A concessional loan agreement in the amount of EUR 150 million provided by the French Development Agency (AFD).
 - A concessional loan agreement in the amount of EUR 75 million provided by the German Reconstruction Bank (KfW), as a first payment of the bank's total contribution of EUR 150 million.
- Signing two agreements including a concessional loan and grant provided by the World Bank in the amount of USD 200 million, to support the general budget and education (December 2017).
- Signing two agreements with the European Union (EU); the first one in the amount of EUR 100 million to support implementing the National Solid Waste Management Strategy. The second agreement is an additional grant in the amount of EUR 20 million to support the Ministry of Education and Budget (December 2017).
- Signing a concessional loan agreement in the amount of EUR 25 million, and two grant agreements in the amount of EUR 8.2 million, provided by the European Bank for Reconstruction and Development (EBRD) to implement the sanitation services networks project in western Irbid (December 2017).

Fourth: External Sector

□ Summary

- **Total merchandize exports** (domestic exports *plus* re-exports) increased by 1.8 percent in December 2017 compared to the same month of 2016 to reach JD 506.9 million. As for 2017, total merchandize exports decreased by 1.1 percent compared with 2016 to reach JD 5,303.1 million.
- **Merchandize imports** increased by 7.5 percent in December 2017 compared to the same month of 2016 to reach JD 1,355.9 million. As for 2017, total merchandize imports increased by 5.6 percent compared with 2016 to reach JD 14,488.6 million.
- **Consequently**, the trade balance deficit (total exports minus imports) increased by 11.3 percent in December 2017 compared to the same month of 2016; standing at JD 849.0 million. As for 2017, trade balance deficit increased by 9.9 percent compared to 2016 to reach JD 9,185.5 million.
- **Travel receipts** increased by 9.5 percent in January 2018 compared to the same month of 2017 to reach JD 297.5 million, Meanwhile, Travel payments decreased by 11.0 percent in January 2018 compared to the same month of 2017 to reach JD 72.2 million.
- **Total workers' remittances receipts** increased by 4.0 percent in January compared to the same month of 2017 to reach JD 218.5 million.
- **The current account of the balance of payments** (including grants) registered a deficit accounted to JD 2,415.6 million (11.6 percent of GDP) during the first three quarters of 2017 compared to a deficit of JD 1,967.4 million (9.8 percent of GDP) during the same period of 2016. Meanwhile, the current account deficit excluding grants increased to reach 12.7 percent of GDP compared with 11.6 percent of GDP during the same period of 2016.

- **Net direct investment** recorded an inflow of JD 1,017.3 million during the three quarters of 2017, compared to JD 854.2 million during the same period of 2016.
- **International investment position (IIP)** displayed a net obligation to abroad of JD 29,110.0 million at the end of the third quarter of 2017; compared to JD 26,843.2 million at the end of 2016.

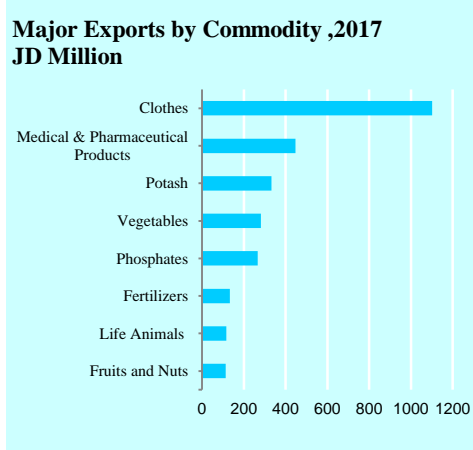
□ External Trade

- As a result of the increase in domestic exports by JD 77.7 million, and the increase in imports by JD 768.2 million during 2017, the volume of external trade (domestic exports *plus* imports) increased by JD 845.9 million to stand at JD 18,962.8 million compared to 2016.

| Jordan's Major Trading Partners JD Million | | | | Main External Trade Indicators JD Million | | | | |
|---|---------|---------|-------------------|--|----------|-----------------------------|----------|-----------------------------|
| | 2016 | 2017 | Percentage Change | | 2016 | Percentage Change 2016/2015 | 2017 | Percentage Change 2017/2016 |
| Exports | | | | External Trade | 18,116.9 | -6.3 | 18,962.8 | 4.7 |
| USA | 1,041.2 | 1,112.5 | 6.8 | Total Exports | 5,359.5 | -3.6 | 5,303.1 | -1.1 |
| Saudi Arabia | 646.6 | 571.6 | -11.6 | Domestic Exports | 4,396.5 | -8.4 | 4,474.2 | 1.8 |
| India | 347.1 | 367.1 | 5.8 | Re-exports | 963.0 | 26.1 | 828.9 | -13.9 |
| Iraq | 330.8 | 365.4 | 10.5 | Imports | 13,720.4 | -5.6 | 14,488.6 | 5.6 |
| Kuwait | 231.1 | 239.8 | 3.8 | Trade Balance | -8,360.9 | -6.9 | -9,185.5 | 9.9 |
| UAE | 237.3 | 203.5 | -14.2 | Source: Department of Statistics. | | | | |
| Qatar | 119.6 | 114.6 | -4.2 | | | | | |
| Imports | | | | | | | | |
| China | 1,911.7 | 1,962.2 | 2.6 | | | | | |
| Saudi Arabia | 1,673.8 | 1,956.0 | 16.9 | | | | | |
| USA | 952.2 | 1,420.2 | 49.1 | | | | | |
| UAE | 623.7 | 705.6 | 13.1 | | | | | |
| Germany | 625.7 | 639.3 | 2.2 | | | | | |
| Italy | 597.2 | 573.9 | -3.9 | | | | | |
| Turkey | 472.2 | 484.1 | 2.5 | | | | | |
| Source: Department of Statistics. | | | | | | | | |

■ Merchandize Exports:

Total merchandize exports decreased by 1.1 percent during 2017, to record JD 5,303.1 million. This decrease a resulted from an increase in domestic exports by JD 77.7 million, or 1.8 percent to reach JD 4,474.2 million and the decrease in re-exports by JD 134.1 million, or 13.9 percent to reach JD 828.9 million.



◆ The developments of domestic exports during 2017 compared with 2016 reveals the following:

- Exports of **Clothes** increased by JD 96.0 million, or 9.5 percent, to stand at JD 1,101.5 million. The USA market accounted for 87.8 percent of these exports.
- Exports of **Potash** increased by JD 30.9 million, or 10.2 percent, to stand at JD 332.9 million. The Indian, Chinese, Indonesian and Egyptian markets accounted for 72.6 percent of these exports.
- Exports of **Live animals** increased by JD 17.9 million, or 18.1 percent, to reach JD 116.7 million. Kuwait, Qatar and Saudi Arabia were the main destination markets for these exports, accounting for 93.7 percent.
- Exports of **phosphates** decreased by JD 63.9 million, or 19.3 percent, to register JD 266.8 million. This was a result of the increase in exported quantities by 3.6 percent and the decrease in prices by 22.2 percent. It is worth noting that the Indian and Indonesian markets were the main destinations for phosphates exports, accounting for 86.4 percent.

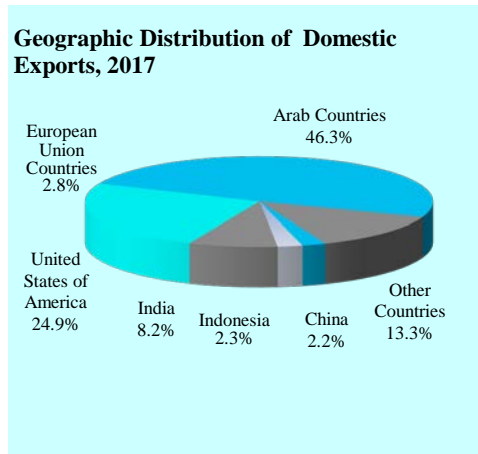
- Exports of **vegetables** decreased by JD 23.7 million, or 7.7 percent, to reach JD 282.3 million. The markets of Saudi Arabia, the UAE, Kuwait, and Oman accounted for 73.5 percent of these exports.
- Exports of **Medical & pharmaceutical products** decreased by JD 20.7 million, or 4.4 percent, to reach JD 447.0 million. Saudi Arabia, Iraq, Algeria and Sudan were the main destination markets; accounting for 59.2 percent of these exports.

**Major Domestic Exports by Commodity, JD Million
2016-2017**

| | 2016 | 2017 | Percentage Change |
|--|----------------|----------------|-------------------|
| Domestic Exports | 4,396.5 | 4,474.2 | 1.8 |
| Clothes | 1,005.5 | 1,101.5 | 9.5 |
| USA | 895.8 | 967.3 | 8.0 |
| Medical & Pharmaceutical Products | 467.7 | 447.0 | -4.4 |
| Saudi Arabia | 112.0 | 115.6 | 3.2 |
| Iraq | 56.5 | 60.3 | 6.7 |
| Algeria | 63.9 | 45.0 | -29.6 |
| Sudan | 33.1 | 43.9 | 32.6 |
| Potash | 302.0 | 332.9 | 10.2 |
| India | 83.9 | 89.3 | 6.4 |
| China | 80.7 | 83.9 | 4.0 |
| Indonesia | 17.8 | 37.7 | 111.8 |
| Egypt | 23.7 | 30.9 | 30.4 |
| Vegetables | 306.0 | 282.3 | -7.7 |
| Saudi Arabia | 64.8 | 72.1 | 11.3 |
| UAE | 68.2 | 60.2 | -11.7 |
| Kuwait | 58.2 | 53.5 | -8.1 |
| Oman | 15.5 | 21.7 | 40.0 |
| Phosphates | 330.7 | 266.8 | -19.3 |
| India | 196.1 | 168.2 | -14.2 |
| Indonesia | 85.6 | 62.4 | -27.1 |
| Fertilizers | 137.9 | 133.0 | -3.6 |
| Iraq | 33.0 | 45.0 | 36.4 |
| Turkey | 51.0 | 32.1 | -37.1 |
| India | 30.3 | 31.1 | 2.6 |
| Live Animals | 98.8 | 116.7 | 18.1 |
| Kuwait | 11.5 | 69.7 | 506.1 |
| Qatar | 23.6 | 23.9 | 1.3 |
| Saudi Arabia | 59.5 | 15.8 | -73.4 |
| Fruits and Nuts | 116.7 | 112.8 | -3.3 |
| Kuwait | 41.1 | 34.5 | -16.1 |
| Saudi Arabia | 30.2 | 30.1 | -0.3 |
| Iraq | 5.7 | 9.5 | 66.7 |

Source: Department of Statistics.

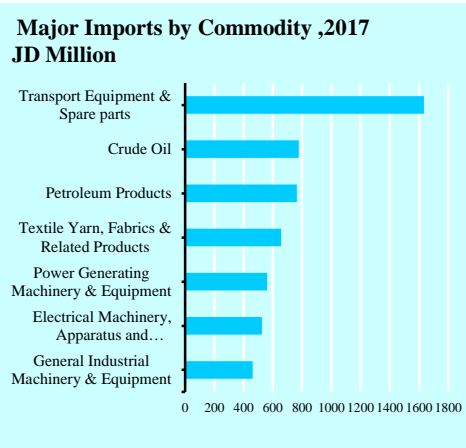
- Consequently, the commodity breakdown of domestic exports indicates that exports of clothes, “medical and



pharmaceutical products”, potash, vegetables, phosphates, fertilizers, “Live Animals” and “fruits and nuts”, topped the list of domestic exports during 2017; accounting for 62.4 percent, compared with 62.9 percent during 2016. Meanwhile, the geographical distribution of domestic exports indicates that the USA, Saudi Arabia, India, Iraq, Kuwait, the UAE, and Qatar were the main destination markets during 2017; accounting for 66.5 percent, compared with 67.2 percent during 2016.

■ **Merchandise Imports:**

Merchandise imports increased by 5.6 percent to reach JD 14,488.6 million during 2017, compared to a decrease by 5.6 percent during 2016.



◆ **The developments of imports during 2017 compared with 2016 reveals the following:**

- **Power generating machinery and equipment** imports increased by JD 368.3 million or 192.3 percent to reach JD 559.8 million. The USA, Spain, and China were the main origin markets, accounting for 76.2 percent of these imports.
- **Crude oil** imports increased by JD 128.2 million, or 19.8 percent, to reach JD 776.8 million. This increase resulted from an increase in prices by 27.6 percent and a decrease in quantities by 6.2 percent, compared with the 2016. Noting that crude oil imports came from Saudi Arabia.
- **Transport equipment & spare parts** imports increased by JD 121.2 million or 8.0 percent to reach JD 1,634.8 million. The USA, Japan, and South Korea were the main origin markets, accounting for 57.8 percent of these imports.

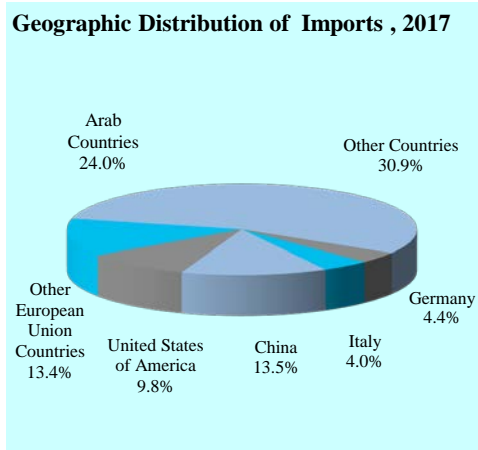
- **Petroleum products** imports increased by JD 117.0 million or 18.1 percent to reach JD 763.6 million. Saudi Arabia, Italy and the UAE were the main markets, accounting for 65.4 percent of these imports.
- **Electrical machinery, apparatus and appliances** imports increased by JD 66.4 million or 14.5 percent to reach JD 525.4 million. China, Turkey and Italy were the main origin markets accounting for 57.7 percent of these imports..
- **General Industrial machinery and equipment** imports increased by JD 55.0 million or 13.5 percent to reach JD 461.0 million. China, Italy and France were the main origin markets, accounting for 51.0 percent of these imports.

**Major Imports by Commodity, JD Million
2016-2017**

| | 2016 | 2017 | Percentage Change |
|--|-----------------|-----------------|-------------------|
| Total Imports | 13,720.4 | 14,488.6 | 5.6 |
| Transport Equipment & Spare Parts | 1,513.6 | 1,634.8 | 8.0 |
| USA | 274.1 | 372.6 | 35.9 |
| Japan | 313.8 | 297.8 | -5.1 |
| South Korea | 310.9 | 274.4 | -11.7 |
| Crude Oil | 648.6 | 776.8 | 19.8 |
| Saudi Arabia | 648.6 | 776.8 | 19.8 |
| Petroleum Products | 609.7 | 655.6 | 7.5 |
| Saudi Arabia | 238.6 | 254.3 | 6.6 |
| Italy | 187.8 | 197.5 | 5.2 |
| UAE | 60.1 | 62.3 | 3.7 |
| Textile Yarn, Fabrics and Related Products | 646.6 | 763.6 | 18.1 |
| China | 180.3 | 276.4 | 53.3 |
| Taiwan | 118.1 | 116.4 | -1.4 |
| Turkey | 107.0 | 106.5 | -0.5 |
| Power generating Machinery & equipment | 191.5 | 559.8 | 192.3 |
| USA | 94.7 | 324.8 | 243.0 |
| Spain | 1.5 | 55.8 | 3620.0 |
| China | 14.2 | 46.1 | 224.6 |
| Electrical Machinery Apparatus and Appliances | 459.0 | 525.4 | 14.5 |
| China | 127.8 | 222.6 | 74.2 |
| Turkey | 39.3 | 45.4 | 15.5 |
| Italy | 36.9 | 34.9 | -5.4 |
| General Industrial Machinery & equipment | 406.0 | 461.0 | 13.5 |
| China | 118.1 | 129.0 | 9.2 |
| Italy | 57.7 | 55.0 | -4.7 |
| France | 11.9 | 51.1 | 329.4 |

Source: Department of Statistics.

- Consequently, the commodity composition of imports indicates that “transport equipment and spare part”, “crude oil”, “petroleum products”, “textile yarn, fabrics and related products” “power



generating machinery and equipment”, “electrical machinery apparatus and appliances” and “general industrial machinery and equipment”, topped the list of imports during 2017, accounting for 37.1 percent; compared to 32.6 percent during 2016. Meanwhile, the geographical distribution of imports indicates that China, Saudi Arabia, the USA, the UAE, Germany, Italy and Turkey were the main source markets during 2017; accounting for 53.4 percent of imports, compared to 50.0 percent during 2016.

■ **Re-Exports**

The value of re-exported goods in December 2017 decreased by JD 7.3 million, or 8.7 percent, compared to the same month of 2016, to register JD 76.4 million. As for 2017, the value of re-exported goods decreased by JD 134.1 million, or 13.9 percent compared to 2016, to reach JD 828.9 million.

■ Trade Balance

The trade balance deficit increased by JD 86.1 million, or 11.3 percent, in December 2017 compared to the same month of 2016, to register JD 849.0 million. As for 2017, the trade balance deficit increased by JD 824.6 million, or 9.9 percent, to register JD 9,185.5 million, compared to 2016.

□ Total Workers' Remittances Receipts

Total workers' remittances receipts increased by 4.0 percent in January 2018 compared to the same month of 2017, to register JD 218.5 million.

□ Travel

■ Receipts

Travel receipts increased by JD 25.9 million, or 9.5 percent, in January 2018 compared to the same month of 2017, to register JD 297.5 million.

■ Payments

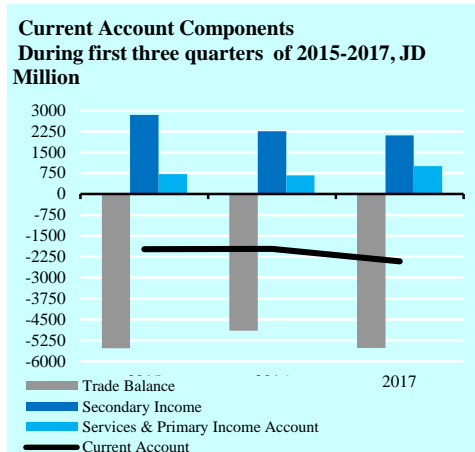
Travel payments decreased by JD 8.9 million, or 11.0 percent, in January 2018 compared to the same month of 2017, to stand at JD 72.2 million.

□ Balance of Payments

The preliminary data for the balance of payments during the first three quarters of 2017 compared to the same period in 2016 reveals the following:

- The current account recorded a deficit of JD 2,415.6 million (11.6 percent of GDP) in the first three quarters of 2017 compared to a deficit of JD 1,967.4 million (9.8 percent of GDP) during the same period of 2016. Meanwhile, the current account deficit excluding grants narrowed to reach JD 2,656.9 million (12.7 percent of GDP) compared to JD 2,343.5 million (11.6 percent of GDP) during the same period of 2016. This was an outcome of the following developments:

- ◆ An increase in the deficit of trade balance during the first three quarters of 2017 by JD 624.8 million, or 12.7 percent, to reach JD 5,526.3 million compared to JD 4,901.5 million during the same period of 2016.



- ◆ An increase in the surplus of the services account compared to the first three quarters of 2016 by JD 313.4 million, to reach JD 1,118.8 million.
- ◆ Primary income account recorded a deficit of JD 117.1 million compared to a deficit of JD 131.3 million during the first three quarters of 2016. This was mainly due to the decrease in deficit of the investment income (net) by JD 18.3 million, and decrease in the surplus of workers' remittances (net) by JD 4.1 million.
- ◆ A decrease in the surplus of secondary income by JD 151.0 million; to reach JD 2,109.0 million, as a result of the decrease in net transfers of the public sector (foreign grants) during the first three quarters of 2017 by JD 134.8 million to reach JD 291.3 million, and the decrease in the net transfers of other sectors by JD 16.2 million to reach JD 1,867.7 million.

- The capital and financial account registered a net inflow of JD 2,360.3 million during the first three quarters of 2017, compared to a net inflow of JD 1,895.7 million during the same period of 2016. This can be attributed to the following:
 - ◆ Direct investment recorded a net inflow of JD 1,017.3 million compared to an inflow of JD 854.2 million during the first three quarters of 2016.
 - ◆ Portfolio investment recorded a net inflow of JD 75.4 million compared to a net outflow of JD 27.7 million during the first three quarters of 2016.
 - ◆ Other investment registered a net outflow of JD 22.4 million compared to a net outflow of JD 212.5 million during the first three quarters of 2016.
 - ◆ A decrease in the reserve assets of the CBJ by JD 1,253.0 million, compared to decrease of JD 1,201.3 million during the first three quarters of 2016.

□ International Investment Position (IIP)

The IIP, which represents the Kingdom's net position (stock) of external financial assets and liabilities, displayed an obligation to abroad of JD 29,110.0 million at the end of the third quarter of 2017 compared to JD 26,843.2 million at the end of 2016. This increase was due to the following developments:

- A decrease in the position of external assets (the stock of claims, obligations and financial assets) for all economic sectors (residing) in the Kingdom by JD 1,211.9 million at the end of the third quarter of 2017 compared to the end of 2016 to reach JD 17,369.1 million. This was mainly due to the decrease in the CBJ's reserve assets by JD 1,151.6 million.

- An increase in the position of external liabilities (the stock of claims, obligations and financial assets) on all economic sectors residing in the Kingdom by JD 1,054.9 million at the end of the third quarter of 2017 compared to the end of 2016; to reach JD 46,479.1 million, due to the following developments:
 - ◆ An increase in the stock of direct investment in the kingdom by JD 1,039.7 million to stand at JD 23,875.1 million.
 - ◆ An increase in the deposits of non-residents at the banking sector by JD 308.5 million to reach JD 7,495.6 million.
 - ◆ A decrease in the balance of the international monetary fund credit facilities by JD 168.0 million to reach JD 969.4 million.
 - ◆ A decrease in the stock of portfolio investment in the kingdom by JD 90.1 million to stand at JD 7,475.1 million.